ORIGINAL

1905

FILE No. 18 OF 1904-05.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

PROCEEDINGS OF THE GENERAL AND REVENUE DEPARTMENT

LEGISLATIVE

JUNE

"A" Collection Serial Nos. 1—11

Introduction of Regulation on the lines of the Co-operative Credit Societies Act, X of 1904.

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1906

GENERAL AND REVENUE SECRETARIAT

LEGISLATION FOR JUNE

NOTES

File No. 18 of 1904-05.

Introduction of a Regulation on the lines of the Co-operative Credit Societies Act X of 1904.

From the Inspector General of Education in Mysore, No. 10257—422, dated 23rd May 1904.

Requests hat the Government may be pleased to introduce into this State, Act No. X of 1904, called "The Co-operative Credit Societies Act" of the Government of India.

1. The Inspector General of Education in Mysore, having proposed the formation, in large centres of weaver population, of Co-operative Societies of weavers with a capital of Rs. 2,000 (Para 7 of his letter No. 6281—208, dated 25th January 1902), the Government in Order No. 14668-77—Ed. F. 4 of 1896, dated 7th April 1903, invited the opinions of the Deputy Commissioners of the Districts as to the feasibility of the Inspector General's proposal. Their opinions were received in due course and were submitted, when the Deputy Secretary on 22nd March 1904 observed as follows:

"It will be seen that our District officers while admitting the advantages in the abstract of a scheme for the formation of Weavers' Co-operative Societies consider that there is no sufficient degree of that mutual confidence and spirit of co-operation which can alone render such a scheme a success

"Though a general establishment of Societies of the kind in a number of places seems out of the question at present, and much more so under the direct auspices of the Government, there seems no objection to the experiment being tried in a few selected places, *viz.*, Molakalmuru, Hole-Narsipur and Chiknayakanhalli. The number and rate of shares and the amount of capital required may be determined by the community concerned in each place as it may think proper. The local officers may be enjoined to help the movement with their sympathy and advice; further interference on their part would probably be unnecessary. Lastly the legal status and condition of the societies may be materially strengthened by our Government passing a law on the lines of the bill now before the Government of India for the establishment of Co-operative Credit Societies. The report of the select Committee has recently been published and the Bill will probably be passed within a few weeks. As soon as this happens, I shall, if desired, submit a Draft Regulation on the lines of the Indian Act for consideration."

2. The present reference from the Inspector General of Education was received later on

3. The Deputy Secretary then noted on 4th June 1904 as follows:—

"If so desired the drafting of a corresponding Regulation will be taken in the Legislative Branch.'

4. This was submitted to Dewan on 6th June 1904 who ordered as follows:—

"Send copies to the Deputy Commissioners and ask for their opinions regarding the framing of a local law on those lines."

P. N. K.
7-6-04.

5. Draft a circular to Deputy Commissioners as above.

K. S. C.
11-6-04.

6. A Draft to the Deputy Commissioners asking for their opinions regarding the framing of a local law on the lines of Act No. X of 1904 is submitted.

T. K. S. N. N.
13-6-04.

7. Issue.

K. S. CHENDRASEKHARA AIYAR,
13-6-04.

(2). No. J. 1553-60—Leg. 18-2, dated 15th December 1904 to Deputy Commissioners. Forwards, for favor of opinion, a copy of the Co-operative Credit Societies Act, X of 1904, and of the Resolution of the Government of India on the subject.

(3). From "The Bangalore City Co-operative Society," explaining the objects for which the Society has been formed, and requesting that a law on the lines of the British Indian Act, X of 1904, may be early introduced in the Mysore State.

(4). From the Deputy Commissioner, Hassan, No. 479, dated 31st December 1904. Submits his opinion in the matter of framing a law on the lines of Indian Act. X of 1904.

(5). [Serial No. 5 has been filed].

(6). From the Deputy Commissioner, Shimoga, No. 638—420, dated 28th January 1905. Submits his opinion regarding the framing of a local law on the subject.

8. Submitted to First Councillor.

The Dewan desires that immediate steps may kindly be taken for passing the enclosed Draft Co-operative Regulation.

M. SHAMA RAO,
23-2-05

THE DRAFT MYSORE CO-OPERATIVE CREDIT SOCIETIES REGULATION.

Statement of objects and reasons.

The accompanying Draft Regulation is based largely on the Co-operative Credit Societies Act, X of 1904, but with certain important deviations calculated to ensure greater simplicity in its application to the limited extent and needs of this State.

The Indian Act divides societies into rural and urban, which are treated differently in regard to constitution, extent of the liability of members, disposal of profits, lending of money on the security of moveable property, and so forth ; nevertheless, in several of these respects provision is retained for a general or special exemption or modification. Again, while the societies chiefly contemplated are those intended to promote agricultural credit, and in the next place those aiming at the promotion of industrial credit, still power is conferred on Local Governments to permit any other kind of association to be registered under the Act, subject to such conditions and such modifications of the law as they think fit.

In the Regulation proposed for Mysore, the various objects for which Co-operative Societies (of which Co-operative *Credit* Societies are merely one class) can be formed are enumerated in detail ; and where objects other than those specified are found calculated to promote the common economic benefit of the members, the Government is empowered to recognise such objects also, as in Mysore the same authority which virtually makes the law frames the subsidiary rules also. The conditions obtaining in Mysore do not make it necessary to accentuate the distinction between rural and urban societies, and the fundamental distinctions which are made in the Imperial Act are not necessary here.

The above brief explanation covers most of the deviations from the Indian Act. The only other alteration that requires notice is that in Section 25 (1) the terms of clause (a) have been extended so as to permit of exemptions being granted in respect generally of any tax payable to Government or to a Municipal or Local Board.

K. S. CHANDRASEKHARA IYER.

9. I am agreeable. The modifications proposed seem suitable.

C. S.
24-2-05.

10. Draft Regulation may be passed.

C. M.
25-2-05.

11. May be approved.

P. N. K.
25-2-05.

DRAFT

THE MYSORE CO-OPERATIVE SOCIETIES REGULATION, 1905

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Draft of

A Regulation to provide for the constitution and control of Co-operative Societies in Mysore.

WHEREAS it is expedient to provide for the constitution and control of Co-operative Societies in Mysore : His Highness the Maharaja is pleased to enact as follows :—

Preliminary.

Short title, extent and commencement.

1. (*1*) This Regulation may be called the Mysore Co-operative Societies Regulation, 1905 ;

(*2*) It extends to the whole of Mysore, and (*3*) It shall come into force on the date of the passing thereof.

Definitions.

2. In this Regulation, unless there is anything repugnant in the subject or context,—

(*a*) "by-law" means a rule made by a society in the exercise of any power conferred by this Regulation, or by any rule made under this Regulation :

(*b*) "committee" means the governing body of a society to whom the management of its affairs is entrusted :

(*c*) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules made under this Regulation.

(*d*) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules applying to any society or the by-laws thereof to give directions in regard to the business of the society :

(*e*) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Regulation : and

(*f*) "society" means a co-operative society registered under this Regulation.

Constitution.

Constitution and objects of societies.

3. A society shall consist of ten or more persons above the age of eighteen years, who have for ther common object or objects some one or more of the following, namely :—

i the furtherance of thrift and providence among the members ;

ii the attraction of capital and the grant of credit to the members ;

iii the supply to members of raw material, seed or manure ;

iv the sale on behalf of members of agricultural produce or of manufactured goods ;

v the manufacture of goods or growth of produce by the members co-operatively ;

vi the purchase of food stuffs, clothing or other articles of consumption, or of animals, implements or other stock required in agriculture or industry, and their retail sale to members ;

vii the purchase of machinery and its use in common by members ;

viii the building of houses or purchase of lands for members ;

ix the carrying out or development, by joint action, of an improvement whether agricultural or industrial ;

x any other object, calculated to promote the common economic benefit of the members, which may be approved by Government by special order in each case.

Members of society.

4. The members of a society shall be —

(*a*) persons joining in the application mentioned in section 6, sub-section (*1*), and registered as a society under sub-section (2) of the same section ;

(*b*) persons admitted by the society in accordance with the provisions of this Regulation and with the by-laws of the society :

Provided that a person so admitted shall not exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society as may be prescribed by the rules made under this Regulation or the by-laws of the society.

Registration.

The Registrar.

5. The Government may appoint a person to be Registrar of Co-operative Societies for the whole or any portion of Mysore.

Registration and incorporation of societies.

6. (*1*) Any ten or more persons having for their common object or objects some one or more of those specified in section 3 and agreeing each to make such payment or acquire such interest as aforesaid, may apply to the Registrar to be registered as a society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the proposed society as the Registrar may require.

(2) If the Registrar is satisfied that the persons proposing to form a society have complied with the provisions of this Regulation and with the rules made thereunder, he may, if he thinks fit, register the society accordingly, and the society shall thereupon become and be a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, moveable or immoveable, to enter into contracts, to institute and defend civil suits and to do all things necessary for the purposes of its constitution.

(3) Every society shall have an address, registered in accordance with the rules made under this Regulation, to which all notices and communications may be sent.

(4) If the liability of the members of a society is limited, the word "limited" shall be added to its registered name.

(5) No charge shall be made for registration under this section.

Management.

Liability of members.

7 The liability of each member of a society for the debts of the society shall be unlimited or limited as may be provided by the by-laws or by any rules made under this Regulation.

Disposal of profits.

8. Not less than one-fourth of the profits in each year of every society, unless otherwise directed by Government by special order in any particular case, shall be carried to a fund (to be called the reserve fund) before any dividend or payment on account of profits is paid to the members or any of them.

Restrictions on borrowing.

9. A society may receive deposits from members without restriction, but it may borrow from persons who are not members only to such extent and under such conditions as may be provided by its by-laws or by rules made under this Regulation.

Restrictions on loans.

10. (1) A society shall make no loan to any person other than a member

Provided that, with the consent of the Registrar, a society may make loans to any other society.

(2) The Government may by general or special order, prohibit or restrict the lending of money on the security of moveable or of immoveable property or any kind thereof by any society or class of societies.

Deposit of society's funds.

11. A society may deposit its funds in the Government Savings Bank or with any banker or person acting as a banker approved for this purpose by the Registrar.

Shares and Interests of Members.

Limit on capital held by member.

12. Where the liability of the members of a society is limited by shares, a member shall not hold more than such portion of the capital of the society subject to a maximum of one-fifth, as may be prescribed by any rules made under this Regulation.

Provided that no member of such a society shall without express sanction of the Government hold more shares than represent a nominal value of one thousand rupees.

Votes of members.

13. (1) Where the liability of the members of a society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, only have one vote as a member in the affairs of the society

(2) Where the liability of the members of a society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws of the society

Restrictions on transfer of share or interest.

14. (1) A member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless he has held such share or interest for one year at least.

(2) The share or interest of a member in the capital of a society shall not be transferred or charged, unless to the society or to a member of the society and subject to any conditions as to maximum holding prescribed by this Regulation or by the by-laws or by any rules made under this Regulation.

Shares or interest not liable to attachment.

15. Subject to the provisions of section 20, the share or interest of a member in the capital of a society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee nor a Receiver appointed under Chapter XX of the Code of Civil Procedure shall be entitled to or have any claim on such share or interest

Transfer of interest on death of member.

16. On the death of a member, the society may pay to or transfer to the credit of the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, such person as may appear to the Committee to be entitled to receive the same as heir or legal representative

of the deceased member a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws and all moneys due to him from the society, and the society shall thereupon be absolved from all liability in respect of such share or interest or other moneys as aforesaid.

Liability of past member.

17. The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member shall continue for a period of one year from the date of his ceasing to be a member.

Liability of the estate of deceased member.

18. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society as they existed at the time of his decease.

Priority of Society's claim against a member.

Prior claim of society as against crops, agricultural produce, cattle, implements and raw material.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a society shall be entitled in priority to other creditors to enforce its claim—

(a) upon the crops or other agricultural produce of a member or past member at any time within a year from the date when seed or manure was advanced or money for the purchase of seed or manure was lent to such member or past member, in respect of the unpaid portion of such advance or loan :

(b) upon any cattle, agricultural or industrial implements or raw material for manufactures, supplied by the society or purchased in whole or in part with money lent by the society, in respect of the outstanding liability on account of such supply or loan.

Charge and set-off in respect of shares or interest of member.

20. A society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set-off any sum credited or payable to a member or past member in or towards payment of any such debt.

Audit, Inspection and Inquiry.

Audit, inspection and inquiry.

21. *(1)* The Registrar shall audit the accounts of each society once at least in every year.

(2) No charge shall be made in respect of any audit made under sub-section *(1)*.

(3) The audit under sub-section *(1)* shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(4) The Registrar, the Deputy Commissioner or any person authorised in this behalf by the Registrar or the Deputy Commissioner may at any time inspect the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection shall require.

(5) The Registrar may of his own motion, and shall on the request of the Deputy Commissioner, or on the application of a majority of the Committee or of not less than one-third of the members, hold an inquiry into the constitution, working and financial condition of a society, and all officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar may require.

(6) Where an inquiry is held under sub-section *(5)*, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members demanding an inquiry and the officers or former officers of the society.

(7) Any sum awarded by way of costs under sub-section *(6)* may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable resides for the time being, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

Mode of proof of entries in societies' books.

22. A copy of any entry in a book of a society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by rules made under this Regulation, be received, in any suit to recover a debt due to the society, as *prima facie* evidence of the existence of such entry and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is now by law admissible, but not further or otherwise.

Dissolution of a society.

Dissolution.

23. *(1)* If the Registrar, after holding an inquiry under section 21, sub-section *(5)*, or on receipt of an application made by three-fourths of the members of a society, is of opinion that a society ought to be dissolved, he may cancel or may refuse to cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section (1), appeal from such order to the Government.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period. Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the Government.

(4) Where an order made under sub-section (1) cancelling the registration of a society takes effect, the society shall cease to exist as a corporate body.

Cancellation of registration of society.

2. (1) Where the registration of a society is cancelled under section 23, the Registrar may appoint a competent person to be liquidator of the society.

(2) A liquidator appointed under sub-section (1) shall have power to institute and defend suits on behalf of the society by his name of office, and shall also have power—

(a) to sue for and recover any sums of money due to the society at the date of such cancellation;

(b) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society;

(c) to investigate all claims against the society, and, subject to the provisions of this Regulation, to decide questions of priority arising between claimants;

(d) to determine by what persons and in what proportions the costs of the liquidation are to be borne; and

(e) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules of procedure made under this Regulation, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure.

(4) The rules may provide for an appeal to the Court of the District Judge from any order made by a liquidator under this section.

(5) Orders made under this section may be enforced as follows:—

(a) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as the decree of such Court;

(b) when made by the Court of the District Judge in the matter of any such appeal as aforesaid, in the same manner as a decree of such Court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect to any matter connected with the dissolution of a society under this Regulation.

Exemptions from Taxation.

Power to exempt from taxation, stamp-duty and registration-fees.

25. (1) The Government, by notification in the official Gazette, may in the case of any society or class of society, remit—

(a) any tax payable to Government or to a Municipal or Local Board in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits, or otherwise;

(b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable;

(c) any fee payable under the law of registration for the time being in force.

(2) A notification exempting any society from the fees referred to in sub-section (1) clause (c), may provide for the withdrawal of such exemption.

Debts due to Government.

Recovery of sums due to Government.

26. (1) All sums due from a society or from an officer or member or past member of a society as such to the Government, including any costs awarded to the Government, under section 21, sub-section (6), may be recovered in the same manner as arrears of land-revenue.

(2) Sums due from a society to Government and recoverable under sub-section (1) may be recovered, firstly, from the property of the society; secondly, in the case of a society of which the liability of the members is limited, from the members subject to the limit of their liability; and thirdly in the case of other societies, from the members.

Rules.

27. *(1)* The Government may, for the whole or any part of Mysore and for any society or class of societies, make rules to carry out the purposes of this Regulation.

Rules.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(a) prescribe the forms to be used in applying for the registration of a society and the procedure in the matter of such applications;

(b) prescribe the conditions to be complied with by persons applying for registration and by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time, and the amount of payment to be made and interests to be acquired before exercising rights of membership;

(c) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled and for the liabilities of past members.

(d) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;

(e) subject to the provisions of section 12, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;

(f) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent to an individual member;

(*g*) regulate the manner in which capital may be raised by means of shares or debentures or otherwise;

(*h*) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;

(*i*) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers;

(*j*) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating by-laws, and the sanction to be required to such making, alteration or abrogation;

(*k*) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance-sheet showing the assets and liabilities of a society;

(*l*) provide for the persons by whom and the form in which copies of entries in books of societies may be certified;

(*m*) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares of a register of shares;

(*n*) provide for the rate at which interest may be paid on deposits, for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society;

(o) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision, or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators;

(p) prescribe the conditions to be complied with by a society appliying for the financial assistance of Government; and

(q) determine in what cases an appeal shall lie from the orders of the Registrar, and prescribe the procedure to be followed in presenting and disposing of such appeals.

(3) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(4) All rules made under this section shall be published in the official Gazette and on such publication shall have effect as if enacted in this Regulation.

(5) A copy of the rules relating to a society and of the by-laws thereof for the time being in force shall be kept open to inspection at all reasonable times free of charge at the registered address of the society.

Miscellaneous.

Mysore Companies Regulation, 1895, not to apply.

28. The provisions of the Mysore Companies Regulation, 1895, shall not apply to societies registered under this Regulation.

P. N. K.

12. The Draft Regulation was approved by the Council at the meeting held on the 25th February 1905.

Letter No. 4951—505, dated the 23rd March 1905, from the Deputy Commissioner, Kolar District.

States that by introducing the Act into Mysore, the Government would be conferring a boon on the agricultural classes

Letter No. 580, dated 20th April 1905, from the officiating Deputy Commissioner, Chitaldrug District.

States that the provisions of the Act are quite suited to an agricultural country like Mysore, and may therefore be adopted in their entirety.

13. My Dear Mr. Chandrasekhara Iyer,

I send herewith the Co-operative Regulation file, please see Mr. Nicholson's suggestions please enter enclosure—from next six sheets (p.p. 19, etc. seq.), and send your views. Please return all the papers

Yours sincerely,
M. SHAMA RAO.
5-6-05.

14. Dear Mr. Shama Rao,

I have very briefly recorded my views in the accompanying note, which may, I suppose be now added on to the office notes in the file.

I think you will agree that it is inexpedient, and also unnecessary, at this stage to make any very extensive alterations in the Draft Regulation. The only sections in which I would make any modification are Sections 3 and 8, *vide* copy of draft annexed.

I hope we shall soon have the benefit of the new law the need of which has been keenly felt

Yours sincerely,
K. S. CHANDRASEKHARA IYER.
7-6-05.

ENCLOSURE TO PARA 13.

Note by Sir Frederick Nicholson on the Mysore Co-operative Societies Draft Regulation

Clause 3. This clause provides, as in England, Germany, etc., a law for Co-operative Societies, and not merely, as in the Indian Act, for Co-operative credit societies. It follows my own proposals for Co-operative societies in general, contained in Chapter III of my draft bill (p. 353 of Vol. I of my report on Banks), and with two verbal alterations and the addition of the useful omnibus clause X. follows my Section 73. In a criticism, *q. v.*, dated 6th January 1904 of the Imperial Bill, I made an express request that the scope of the bill might be widened by adding a similar section, with two new sub-clauses, *viz.*, the promotion of rural industries and the organisation and development of the several classes of co-operative societies; these were intended to provide for associations as amongst weavers, and for associations intended not to carry on industrial works themselves, but, like the Irish Agricultural Organisation Societies to organise and stimulate societies. However, the omnibus clause will cover all such societies. It is very gratifying to see that Mysore has adopted this wider co-operative law in which co-operation is the general aim of the law, and credit only one of its incidents. I may here add that Section 29 of the Act to which the Dewan refers in his letter was, I think, intended by the legislature to permit the formation of co-operative societies other than for credit; I have always read it so.

2. I regret the absence of all suggestion—not necessarily imperative—for the limitation of the area of action of societies, by the omission of clauses (*a*) and (*b*) of Section 3 of the Act. Under the wider scope of the bill, namely, co-operation in general, the hard and fast limitation of the Act might be out of place as a *universal* or imperative provision; but no one who has at heart rural and industrial co-operation, and above all, the development of the stagnant village society under the isolated village members, no one who knows the marvellous stimulative and educative effects on the village and its residents which co-operation brings about, can help in pinning his hope on *village* societies. Raiffeisenism means (is) village co-operation, village education, village re-vivification; Raiffeisen did not advocate the limitation of a society to a village merely, as is often supposed, because credit would thereby be easier to give and easier to supervise; it was the moral, mental and social effect which he sought, and, as has been well said, wherever there is such a society, it is a centre of economic, moral and mental progress. Societies which gather in a member here and there from a score of different villages, lack the bond of the village and of neighbour's proximity; they are a merely loosely united congeries of members; they are not bounded as in a village, by immemorial co-residence, by social and family ties, by an ancient communal and municipal administration. The village

system has survived the shocks of ages, but is losing its integrity under the distintegrating power of peace and individual property; one object of village co-operation is to restore under modern forms the village bond, and, as I have elsewhere put it, to substitute co-operation by contract, for the obsolescent co-operation by status. I beg reference to my report on Banks, para 27, to the last para of page 372 of Vol. I of the report, and to page 22 of my note on rules, etc., which I send for perusal and kind return.

I would then, restore 3 (1) (*a*) of the Act, inserting, however, a word like "preferentially" before the word "residing" or I would make some suggestive provision. Clause (*b*) may be inserted or omitted; I have given my reasons for it on page 22 (near the bottom) of the above mentioned paper, and on page 30 (near the bottom) of my criticism on the Imperial Bill, also sent for perusal and return.

3. I wholly approve of the abolition by this clause, of the distinction made between rural and urbane societies in Section 3 of the Act. In my criticism of the Imperial Bill I strongly advocated a similar abolition, and suggested that the section should provide simply for co-operative village societies.

4. I think that in sub-clause (2) of clause (3) the words "the attraction of capital and" should precede "the grant of credit to the members." Credit to members pre-supposes borrowing, and it is well to keep in mind what — as shown by public criticisms — is often forgotten, *viz.*, that the objects of these societies are, firstly, to obtain credit *i. e.*, fnnds,,*ad extra* by substituting a collective and therefore a strong and cheap credit, for individual and isolated, and therefore a weak and dear credit; secondly, to lend these cheaply obtained funds to the members at a cheap rate. Hence the insertion of these words is not merely verbal but informing and suggestive.

5. In sub-clause 10 the word "common" may be ommitted. A co-operative society seeks the benefit of its members not merely *in common* but individually; some benefits are "in common" such as the borrowing *ab extra*, the purchase and use of expensive agricultural machines in common, etc., but most of the benefits though obtained by common or collective action, will be individual. The word seems superfluous.

6. It is possible that some provisions of the bill may need consideration seeing that while the Imperial Act from which it is taken is for credit societies only, this bill is for co-operation in general, *e. g.*, clause 8 on the disposal of profits may not altogether suit manufacturing and other co-operative societies such as are contemplated by sub-clauses 4, 5 and 9 of clause 3; so also 14 (1).

7. Clause 7. The next great distinction between the Imperial Act and the bill is in clause 7 (liability of members). In my criticism on the Imperial Bill I wrote as follows:—

"Should my suggestion to do away with the distinction between 'rural' and 'urban' societies be accepted, this sub-clause will also need modification and might run something as follows:

"The liability of each member for the debts of the society may be unlimited, limited by shares, or limited by guarantee, as may be provided by the bye-laws or by any rules made under this Act."

Obviously therefore, I approve of clause 7 which is my own proposal. I added the words "limited by guarantee" because this method of limiting liability is too often forgotten, though admirably suited for co-operative credit societies where it is *not* desirable to collect a share capital from members but simply to provide a security on which outside capital may be safely lent to a society. It is the middle path between unlimited liability and liability limited by shares; in the former, the members furnish no capital but only the security of their whole property so that they have to pay no cash while lenders are strongly secured; in the latter the value of shares is usually collected, the result being that members who *ex-hypothesi*, need to borrow, have first to pay, while lenders may see their security vanish if the subscribed share capital is spent.

8. *Clause* 8.—This omits the whole of sub-section (1) of the Imperial Act, since it deals with "rural" societies which under that appellation, do not appear in the bill. Nevertheless I consider that some similar provision should be made in the bill; the "rural" societies contemplated by the Act are the unlimited societies which are amongst the highest form of co-operation and are so well adapted to rural *needs*, but it is presumed that such societies are also contemplated by the bill, since clause 7 expressly provides for 'unlimited' societies and since Sir Seshadri Iyer expressly mentioned Raiffeism Banks as the prototype of his Agricultural Banks. Now, when you have unlimited liability it is essential rapidly to accumulate a strong reserve, no one cares to be liable in all his property for any great length of time, and the object of a strong reserve, built up from *profits*, is to minimise any chance of resort to the ultimate security, *viz.*, the member's individual property. Hence, in my opinion, the abolition of the mere *term* 'rural' society does not count to the abolition of the *idea* of such society, and if the idea is retained so also ought the provision for the rapid accumulation of a strong reserve. The Imperial provision is a good one and should (not necessarily verbatim) be retained.

9. In this connection I may mention that clause (*g*) of Section 27 of the Act has been omitted in the bill because of the omission of Section 8 (1): it relates only to rural societies and to the formation of the reserve required by the section; if the present bill is altered as suggested above it will be well to insert a provision similar to (*g*).

10. *Clause 9.*—This clause taken verbatim from the Act, is not, in my opinion, a well drawn provision. It is not good to give the idea that deposits, so long as they proceed from members may be unrestricted, or to differentiate them so strongly from outside borrowings. Deposits though highly desirable and even necessary, may also be the source of difficulties; a society may easily find itself embarrassed with funds which it cannot lend out, *e. g.*, in the non-cultivation season, but on which interest has to be paid. The provisions in the clause as to borrowing from outsiders seems to suggest that such borrowing is regarded as dangerous, whereas it is the very object of the societies, *viz.*, to borrow capital from persons who have it in order to lend it to those who have it not. I proposed in my criticism of the Imperial Bill a more simple provision, *viz.* "Societies should in all cases frame rules for their guidance in borrowing including the taking of deposits which shall be received from members only, and the Registrar shall take precautions to insure the due observance of the rules."

11. *Clause 11.*—This omits clause (2) of Section 10 of the Act (refusing societies permission to lend on moveable save with the permission of the Registrar) but provides a new sub-clause 2 which gives the Government power to prohibit or restrict such lending, as also lending on immoveable property. I approve of the modification introduced by the Bill, which gives societies right ordinarily to lend on pledge or mortgage unless expressly prohibited by Government order; loans on pledge and mortgage are so universal in Southern India that most societies will, I am sure, adopt such loans. I have given my reasons in full on pp. 33 and 34 of my criticism of the Imperial Bill sub-clauses (4) and (5) of clause 8, but I would call special attention to the para at the end which refers to *personal security* as the general rule for loans in village societies See also remarks on p. 32 of my suggestions for bye-laws of societies under the Act.

12. *Clause 23* (1).—This clause copies the Act verbatim. I confess I do not understand the entry of the words "or may refuse to cancel" in the Act; if the Registrar "is of opinion that a society *ought to be* dissolved" then surely, he is bound to cancel the Registration by which alone (Section 6 (2)) the society has a corporate existence, and to throw the society into liquidation under Section 24 (1); to be of opinion that a society ought to be dissolved and yet to refuse to take steps to dissolve it, seems strange. I note, however, that the phrase was deliberately inserted in the Revised Imperial Bill as modified by the Select Committee: but I cannot find the reasons.

F. A. NICHOLSON.

12-5-05.

[Enclosure to para 14.]

Sir F. A. Nicholson approves of the wider co-operative law adopted in the Draft Regulation, under which credit is only one of the incidents of co-operation; also of the abolition of the distinction between "moral" and "urban" societies, and the extension of the option of limited or unlimited liability to all societies, as well as the right ordinarily to lend on pledge or mortgage unless expressly prohibited by Government.

Para 2. He wishes to have some suggestion made in Section 3 in regard to the limitation of the area of action of societies. It is found difficult to insert such a provision in that section, especially if it is not to be imperative, but merely discretionary. After all, any restrictions as regards such matters can, if really necessary, be imposed under rules to be framed by Government. I may, however, point out that the bend of a common *object* is not likely to be less strong than that of a common residence or caste.

Para 4. The proposed addition to clause (ii) is unobjectionable, and has been inserted.

Para 5. The word "common" has been omitted from clause (ii) of Section 3, as suggested.

Para 8. In order to meet the criticism made, I have slightly altered Section 8 so as to read: "*such portion* of the profits in each year of every society, *not being less than one-fourth, as may be prescribed by Government by general rules or by special order in each case,*" etc., etc., one-fourth will thus be merely a maximum proportion, which can be increased by Government if a more rapid accumulation of the reserve is desired.

Para 9. The above alteration renders an addition to Section 27 needless.

Para 10. The provision in the Indian Act can be fully justified, and may be adhered to. There is no obligation on the society to borrow from members or others indiscriminately.

Para 12. There is something in Sir F. Nicholsons' criticism of the wording of Section 23 (i). But the object, I believe, was merely to make it clear that the cancellation of the registration is a matter entirely within the Registrar's discretion.

A copy of the draft containing the amendments accepted is put up.

K. S. CHANDRASEKHARA IYER.

10. Letter No. 670, dated 9th June 1905, from the Officiating Deputy Commissioner, Kadur District.

States that "the whole matter is one in which we have to feel our way and to purchase our experience, and that the experiment is well worth being tried in a few carefully selected places."

15. *To Rajamantra Pravina C. Srinivasiengar, Esqr., First Councillor, Rao Bahadur C. Madiah, Esqr., Second Councillor.*

I beg to send herewith for your kind information as directed by the Dewan, a draft copy of the Co-operative Regulation before submission to His Highness. After consultation with Sir Frederick Nicholson, a few verbal changes have been introduced in Sections 3 (ii) and (x) and 8.

Yours truly,
M. SHAMA RAO.
22-6-05.

Submitted to His Highness.

16. The appended draft regulation relating to Co-operative Societies is on the lines of the Government of India enactment on the same subject. The British enactment though called the Credit Societies Act, does not define such societies, nor state in what particular these societies diffir from other co-operative societies. As observed by Sir Frederick Nicholson, whom Sir James Bourdillon and myself both consulted, the word 'credit' seems unnecessary for our purposes. The title of the Act has therefore been altered and our regulation is merely called Co-operative Societies Regulation, thereby avoiding the necessity of introducing Section 29 of the British Act which empowers Local Governments to extend its provisions to any co-operative society. For obvious reasons this section is not applicable to the conditions of Mysore. It has also been deemed unnecessary to distinguish between rural and urban societies as in Mysore, the economic conditions are not favorable to maintain any marked differentiation between the two classes of societies, which may be possible in a few places in British India. Power is however reserved to refuse to register any society which may not satisfy any specified conditions. A few verbal changes suggested by Sir Frederick Nicholson have also been inserted in the draft.

17. The draft regulation does not come within the purview of the Instrument of Transfer and does not require the sanction of the Government of India. The Resident, whom I consulted, has left the matter in our hands. The need for the regulation is already much felt and a society called the City Co-operative Society lately started in Bangalore, is waiting for the ntroduction of this measure to obtain registration under it. The Inspecter General of Education and several of the Deputy Commissioners have also recommended its introduction. His Highness may, therefore, be graciously pleased to sanction the passing of the measure.

18. The words in italics indicates the additions to or variations from the Government of India enactment.

P. N. K.
23-6-05.

(ENCLOSURE TO THE ABOVE.)

DARFT OF THE MYSORE CO-OPERATIVE SOCIETIES REGULATION, 1905.

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Draft of

A Regulation to provide for the constitution and control of Co-operative Societies in Mysore.

WHEREAS it is expedient to provide for the constitution and control of Co-operative Societies in Mysore : His Highness the Maharaja is pleased to enact as follows :—

Preliminary

Short title, extent and commencement.

1. (*1*) This Regulation may be called the Mysore Co-operative Societies Regulation, 1905 ;

(*2*) It extends to the whole of Mysore ; and (*3*) It shall come into force on the date of the passing thereof.

Definitions.

2. In this Regulation, unless there is anything repugnant in the subject or context,—

(*a*) "by-law" means a rule made by a society in the exercise of any power conferred by this Regulation, or by any rule made under this Regulation :

(*b*) "committee" means the governing body of a society to whom the management of its affairs is entrusted :

(*c*) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules made under this Regulation.

(*d*) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules applying to any society or the by-laws thereof to give directions in regard to the business of the society

(*e*) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Regulation : and

(*f*) "society" means a co-operative society registered under this Regulation.

Constitution.

Constitution and objects of societies.

3. A society shall consist of ten or more persons above the age of eighteen years, who have for ther common object or objects some one or more of the following, namely :—

i the furtherance of thrift and providence among the members;

ii the attraction of capital and the grant of credit to the members;

iii the supply to members of raw material, seed or manure;

iv the sale on behalf of members of agricultural produce or of manufactured goods;

v the manufacture of goods or growth of produce by the members co-operatively;

vi the purchase of food stuffs, clothing or other articles of consumption, or of animals, implements or other stock required in agriculture or industry, and their retail sale to members;

vii the purchase of machinery and its use in common by members;

viii the building of houses or purchase of lands for members;

ix the carrying out or development, by joint action, of an improvement whether agricultural or industrial;

x any other object, calculated to promote the common economic benefit of the members, which may be approved by Government by special order in each case.

Members of society.

4. The members of a society shall be—

(*a*) persons joining in the application mentioned in section 6, sub-section (1), and registered as a society under sub-section (2) of the same section;

(*b*) persons admitted by the society in accordance with the provisions of this Regulation and with the by-laws of the society:

Provided that a person so admitted shall not exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society as may be prescribed by the rules made under this Regulation or the by-laws of the society.

Registration.

The Registrar.

5. The Government may appoint a person to be Registrar of Co-operative Societies for the whole or any portion of Mysore.

Registration and incorporation of societies.

6. (*1*) Any ten or more persons having for their common object or objects some one or more of those specified in section 3 and agreeing each to make such payment or acquire such interest as aforesaid, may apply to the Registrar to be registered as a society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the proposed society as the Registrar may require.

(*2*) If the Registrar is satisfied that the persons proposing to form a society have complied with the provisions of this Regulation and with the rules made thereunder, he may, if he thinks fit, register the society accordingly, and the society shall thereupon become and be a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, moveable or immoveable, to enter into contracts, to institute and defend civil suits and to do all things necessary for the purposes of its constitution.

(*3*) Every society shall have an address, registered in accordance with the rules made under this Regulation, to which all notices and communications may be sent.

(*4*) If the liability of the members of a society is limited, the word "limited" shall be added to its registered name.

(*5*) No charge shall be made for registration under this section.

Management.

Liability of members.

7. The liability of each member of a society for the debts of the society shall be unlimited or limited as may be provided by the by-laws or by any rules made under this Regulation.

Disposal of profits.

8. Not less than one-fourth of the profits in each year of every society, unless otherwise directed by Government by special order in any particular case, shall be carried to a fund (to be called the reserve fund) before any dividend or payment on account of profits is paid to the members or any of them.

Restrictions on borrowing.

9. A society may receive deposits from members without restriction, but it may borrow from persons who are not members only to such extent and under such conditions as may be provided by its by-laws or by rules made under this Regulation.

10. (*1*) A society shall make no loan to any person other than a member.

Restrictions onnsloa

Provided that, with the consent of the Registrar, a society may make loans to any other society.

(2) The Government may by general or special order, prohibit or restrict the lending of money on the security of moveable or of immoveable property or any kind thereof by any society or class of societies.

Deposit of society's funds.

11. A society may deposit its funds in the Government Savings Bank or with any banker or person acting as a banker approved for this purpose by the Registrar.

Shares and Interests of Members.

Limit on capital held by member.

12. Where the liability of the members of a society is limited by shares, a member shall not hold more than such portion of the capital of the society subject to a maximum of one-fifth, as may be prescribed by any rules made under this Regulation.

Provided that no member of such a society shall without express sanction of the Government hold more shares than represent a nominal value of one thousand rupees.

Votes of members.

13. *(1)* Where the liability of the members of a society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, only have one vote as a member in the affairs of the society.

(2) Where the liability of the members of a society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws of the society.

Restrictions on transfer of share or interest.

14. *(1)* A member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless he has held such share or interest for one year at least.

(2) The share or interest of a member in the capital of a society shall not be transferred or charged, unless to the society or to a member of the society and subject to any conditions as to maximum holding prescribed by this Regulation or by the by-laws or by any rules made under this Regulation.

Shares or interest not liable to attachment.

15. Subject to the provisions of section 20, the share or interest of a member in the capital of a society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee nor a Receiver appointed under Chapter XX of the Code of Civil Procedure shall be entitled to or have any claim on such share or interest.

Transfer of interest on death of member.

16. On the death of a member, the society may pay to or transfer to the credit of the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, such person as may appear to the Committee to be entitled to receive the same as heir or legal representative of the deceased member a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws and all moneys due to him from the society, and the society shall thereupon be absolved from all liability in respect of such share or interest or other moneys as aforesaid

Liability of past member.

17. The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member shall continue for a period of one year from the date of his ceasing to be a member.

Liability of the estate of deceased member.

18. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society as they existed at the time of his decease.

Priority of Society's claim against a member.

Prior claim of society as against crops, agricultural produce, cattle, implements and raw material.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a society shall be entitled in priority to other creditors to enforce its claim—

(a) upon the crops or other agricultural produce of a member or past member at any time within a year from the date when seed or manure was advanced or money for the purchase of seed or manure was lent to such member or past member, in respect of the unpaid portion of such advance or loan

(b) upon any cattle, agricultural or industrial implements or raw material for manufactures, supplied by the society or purchased in whole or in part with money lent by the society, in respect of the outstanding liability on account of such supply or loan.

Charge and set-off in respect of shares or interest of member.

20. A society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set-off any sum credited or payable to a member or past member in or towards payment of any such debt.

Audit, Inspection and Inquiry.

Audit, inspection and inquiry.

21. *(1)* The Registrar shall audit the accounts of each society once at least in every year.

(2) No charge shall be made in respect of any audit made under sub-section *(1)*.

(3) The audit under sub-section *(1)* shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(4) The Registrar, the Deputy Commissioner or any person authorised in this behalf by the Registrar or the Deputy Commissioner may at any time inspect the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection shall require.

(5) The Registrar may of his own motion, and shall on the request of the Deputy Commissioner, or on the application of a majority of the Committee or of not less than one-third of the members, hold an inquiry into the constitution, working and financial condition of a society, and all officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar may require.

(6) Where an inquiry is held under sub-section *(5)*, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members demanding an inquiry and the officers or former officers of the society.

(7) Any sum awarded by way of costs under sub-section *(6)* may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable resides for the time being, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

Mode of proof of entries in societies' books.

22. A copy of any entry in a book of a society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by rules made under this Regulation, be received, in any suit to recover a debt due to the society, as *prima facie* evidence of the existence of such entry and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is now by law admissible, but not further or otherwise.

Dissolution of a Society.

Disolution.

23. *(1)* If the Registrar, after holding an inquiry under section 21, sub-section *(5)*, or on receipt of an application made by three-fourths of the members of a society, is of opinion that a society ought to be dissolved, he may cancel or may refuse to cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section *(1)*, appeal from such order to the Government.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period. Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the Government.

(4) Where an order made under sub-section *(1)* cancelling the registration of a society takes effect, the society shall cease to exist as a corporate body.

Cancellation of registration of society.

24. *(1)* Where the registration of a society is cancelled under section 23, the Registrar may appoint a competent person to be liquidator of the society.

(2) A liquidator appointed under sub-section *(1)* shall have power to institute and defend suits on behalf of the society by his name of office, and shall also have power—

(*a*) to sue for and recover any sums of money due to the society at the date of such cancellation;

(*b*) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society;

(*c*) to investigate all claims against the society, and, subject to the provisions of this Regulation, to decide questions of priority arising between claimants;

(*d*) to determine by what persons and in what proportions the costs of the liquidation are to be borne; and

(*e*) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules of procedure made under this Regulation, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure.

(4) The rules may provide for an appeal to the Court of the District Judge from any order made by a liquidator under this section.

(5) Orders made under this section may be enforced as follows:—

(a) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as the decree of such Court;

(b) when made by the Court of the District Judge in the matter of any such appeal as aforesaid, in the same manner as a decree of such Court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect to any matter connected with the dissolution of a society under this Regulation.

Exemptions from Taxation.

Power to exempt from taxation, stamp-duty and registration-fees.

25. *(1)* The Government, by notification in the official Gazette, may in the case of any society or class of society, remit—

(a) any tax payable to Government or to a Municipal or Local Board in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits, or otherwise;

(b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable;

(c) any fee payable under the law of registration for the time being in force.

(2) A notification exempting any society from the fees referred to in sub-section *(1)* clause *(c)*, may provide for the withdrawal of such exemption.

Debts due to Government.

Recovery of sums due to Government.

26. *(1)* All sums due from a society or from an officer or member or past member or a society as such to the Government, including any costs awarded to the Government, under section 21, sub-section *(6)*, may be recovered in the same manner as arrears of land-revenue.

(2) Sums due from a society to Government and recoverable under sub-section *(1)* may be recovered, firstly, from the property of the society; secondly, in the case of a society of which the liabiliy of the members is limited, from the members subject to the limit of their liability and thirdly, in the case of other societies, from the members.

Rules.

Rules.

27. *(1)* The Government may, for the whole or any part of Mysore and for any society or class of societies, make rules to carry out the purposes of this Regulation.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(a) prescribe the forms to be used in applying for the registration of a society and the procedure in the matter of such applications;

(b) prescribe the conditions to be complied with by persons applying for registration and by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time, and the amount of payment to be made and interests to be acquired before exercising rights of membership;

(c) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled and for the liabilities of past members.

(d) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;

(e) subject to the provisions of section 12, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;

(f) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent to an individual member;

(g) regulate the manner in which capital may be raised by means of shares or debentures or otherwise;

(h) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;

(i) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers

(j) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating by-laws, and the sanction to be required to such making, alteration or abrogation:

(*k*) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance-sheet showing the assets and liabilities of a society;

(*l*) provide for the persons by whom and the form in which copies of entries in books of societies may be certified;

(*m*) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares of a register of shares;

(*n*) provide for the rate at which interest may be paid on deposits, for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society;

(*o*) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision, or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators;

(*p*) prescribe the conditions to be complied with by a society applying for the financial assistance of Government; and

(*q*) determine in what cases an appeal shall lie from the orders of the Registrar, and prescribe the procedure to be followed in presenting and disposing of such appeals.

(*3*) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(*4*) All rules made under this section shall be published in the official Gazette and on such publication shall have effect as if enacted in this Regulation.

(*5*) A copy of the rules relating to a society and of the by-laws thereof for the time being in force shall be kept open to inspection at all reasonable times free of charge at the registered address of the society.

Miscellaneous.

Mysore Companies Regulation, 1895 not to apply.

28. The provisions of the Mysore Companies Regulation, 1895 shall not apply to societies registered under this Regulation.

P. N. K.,

Order.

19. Approved.

K. R. W.
H H the Maharaja of Mysore.
28-6-05.

20. Promulgate very soon—without any mistake. Let me see the last copy.

P. N. K.
29-6-05.

11. *Order No. J. 3766, dated 30th June 1905, to the Compiler,* Mysore Gazette.

Directs the promulgation of the draft regulation as Regultion No. III of 1905.

Proceedings of the Government of His Highness the Maharaja of Mysore, Legislative, June 1905.

Introduction of a Regulation on the lines of the Co-operative Credit Societies Act, X of 1904.

FILE NO 18 OF 1904-05.

From the Inspector General of Education in Mysore, to the Officiating Secretary to Government, General and Revenue Department, letter No. 10257-422, dated 23rd July 1904

1. I have the honor to request that Government may be pleased to adopt and introduce at an early date into the Mysore State, Act No. X of 1904 called "The Co-operative Credit Societies Act," of the Government of India, which received the assent of the Governor-General on the 25th March 1904 In para 7 of my letter No. 6281—208, dated 25th January 1902, I proposed the formation of co-operative societies in connection with the new weaving schools. In June 1902 the weavers of Dodballapur agreed to become members of a co-operative society formed on the lines I suggested, which were similar in many respects to the provisions of the Co-operative Societies Act, and shares of more than Rs. 2,100 were readily subscribed by them. The amount subscribed is likely to rise to Rs. 4,000 as soon as the society is registered. I have since drafted suitable by-laws with the help of an expert friend in Bombay for the Dodballapur society. But finding that a bill for the constitution and control of co-operative credit societies was before the Government of India, I purposely delayed taking further steps before the bill was passed. The Co-operative Credit Societies Act has now been promulgated and is just the kind of law that was wanted for the weaver's co-operative societies that I proposed. The co-operative societies are by this Act exempted from the operation of the cumbrous Companies Act of 256 Sections, which is intended for combinations of capital on a large scale made for earning considerable profits. The Co-operative Societies Act moreover grants to such societies exemptions from taxation and confers upon them certain privileges, the chief of which is priority of right to other creditors to enforce their claim against the members. It also provides for the appointment of a Registrar and for regular audit inspection and enquiry into the financial condition of the societies. All these are most valuable privileges which are calculated to secure the confidence of the members and to encourage thrift, self-help and co-operation among the people. The Co-operative Societies Act is likely to be a great blessing not only to the weavers but to all agriculturists and artisans of small means throughout the Province. **Serial No. 1.**

To the Deputy Commissioners of Districts, No. J. 1553-1560, dated 15th December 1904.

Has the honor to forward herewith a copy of the Co-operative Credit Societies Act, X of 1904, of the Government of India and of their explanatory resolution of the 29th April 1904 and to request the Deputy Commissioner to furnish the Government with his opinion regarding the framing of a local law on the lines of the Act in question **Serial No. 2**

Petition from Messrs. K. S. CHANDRASEKHARA IYER and six others to the Dewan of Mysore.

In forwarding herewith an extract from the proceedings of a meeting held in the hall of the Chamarajendra Sanskrit College, Bangalore City, on the 25th December 1904, we, the members of the provisional committee appointed at the meeting, beg to state that a society with limited liability, to be called "the Bangalore City Co-operative Society" is being formed. The objects of the Society will be **Serial No. 3.**

(1) to encourage habits of thrift and providence among its members;

(2) to provide loans for its members for the development of their business or the needs of their household:

(3) to purchase for the common account, food stuffs and other requisites and to arrange for their retail sale to members

(4) to advance out of the funds of the Society, when practicable, money that may be needed by a member to purchase a house on the mortgage of that property and to receive in convenient instalments the money so advanced with interest.

In order to enable the members to formally register themselves as a corporate body, and to empower the society to frame by-laws binding on its members, and, generally, in order to extend to this and to similar bodies which may hereafter be formed the same privileges and control as are available in British India under the recently passed Co-operative Credit Societies Act, X of 1904, we beg to request that a law on similar lines may be passed at an early date for the Mysore State also.

Introduction of a Regulation on the lines of the Co-oeprative Credit Societies Act, X of 1904.

(Enclosure to the above.)

* * * *

VI. That the Provisional Committee be empowered to submit an application to Government to introduce a Regulation on the lines of the Co-operative Credit Societies Act.

From the Deputy Commissioner, Hassan District, to the Secretary to Government, of General and Revenue Department, letter No. 479, dated Hassan 31st December 1904.

With reference to your docket No. J. 1553-1560—Legis. 18-2, dated 15th December 1904, requesting an expression of opinion regarding the framing of a local law on the lines of the Co-operative Credit Societies Act, X of 1904, of the Government of India, I have the honor to state that I have no doubt that the Act if introduced into Mysore would greatly benefit the raiyats (principally) because it would tend to teach them to invest their small savings instead of boarding them as, I believe, is at present done to a small extent. **Serial No. 4.**

2. The only drawback that I can see to the working of the Act is the present Agricultural Banks now in existence. I believe that these Banks were started with this very same object as the present proposed Act, only that instead of the Banks working their business themselves the Government has been practically working them instead.

3. Personally, I am of opinion that few persons will be found to come forward to take up these societies as the condition of these Agricultural Banks has to a very great extent spoilt the confidence of the small men whom the Act would benefit.

4. From the Act it appears to me that Government financial assistance is proposed to be one of the last resources if not the last and as demonstrated by the fact that it is one of the last Rules under para 27.

5. In conclusion, I beg to state that I am of opinion that I believe the Act would work well if all the present Agricultural Banks in the Province were closed and not until then.

From the Deputy Commissioner, Shimoga District, to the Secretary to Government, General and Revenue Department, letter No. 608—420, dated 28th January 1905.

With reference to your docket No. J. 1553-1560—Legis. 18-2, dated 15th December 1904, requesting my opinion regarding the framing of a local law on the lines of the Co-operative Credit Societies Act, X of 1904, of the Government of India, I have the honor to state that the Act may be introduced into the Mysore State with such modifications as may be found necessary. The system is in regard to rural societies, already in operation in the State with varied degrees of success. The chief feature of the Act under reference appears to be to insist upon the members forming the societies to have a stake in the shape of a paid-up share in their respective institutions and to be only partially and not fully dependent on Government for capital wanted to start business, and this appears to me to be a very wholesome provision and one that will tend to make the institutions more lasting and beneficial to the public. **Serial No. 6.**

From the Deputy Commissioner, Tumkur District to Secretary to Government, General and Revenue Department Docket No. 599, dated the 21st February 1905.

In answer to docket No. J. 1553-1560—Legis. 18-2, of the 15th December last, undersigned has the honor to state that he has read the Co-operative Credit Societies Act, X of 1904, of the Government of India and the resolution of the 29th April 1904 explanatory of the objects of the Act. Undersigned is not very hopeful of the people appreciating the Act and taking advantage of it, and even if they do, the operations of the societies would have to be carefully watched for a few years in the interests of the less wary and less influential members. **Serial No. 7.**

Introduction of a Regulation on the lines of the Co-operative Credit Societies Act, X of 1905.

From the Deputy Commissioner, Kolar District, to the Secretary to Government, General and Revenue Department, letter No. 4951—501 dated 23rd March 1905

Serial No. 8

Adverting to your docket No. J. 1553-60—Legis. 18-2, dated 15th December 1904, asking for my opinion regarding the framing of a local law on the lines of the Co-operative Credit Socities Act, X of 1904 of the Government of India, I have the honor to state as follows:—

2. On a perusal of the explanatory resolution of the Government of India dated 29th April 1904 and a study of the provisions of the Credit Societies Act on the lines of which a local law for Mysore is proposed to be framed, I am of opinion that the Government of His Highness the Maharaja would be conferring a real boon on the agricultural classes of the Province by introducing the Act in question as it will afford great encouragement to mutual co-operation among the poor agriculturists and men of small means by the valuable privileges which the Credit Societies framed under the Act may obtain even when no financial assistance is extended to them by Government. The difficulties with which the small agriculturists are now confronted in obtaining the capital required for their operations and the usurious rates of interest to which they are subjected in the hands of the money-lenders and capitalists, are matters of common knowledge. The banks established under the Indian Companies Act and the Mutual Loan Funds which have been established in big centres and towns on indigenous lines of the co-operative principle, are not easily accessible to the classes of people for whose benefit the Act in question is intended, as they do not command the necessary credit required to secure loans from such banks and funds and cannot conform to the rules and regulations enforced therein.

3. The question of ameliorating and financing this class of people is a problem beset with difficulties and could be solved only by such means as are contemplated by the Government of India in passing the present Co-operative Societies Act. It is an enabling Act and if properly worked, may render great relief to the distressed agriculturists and with the small financial help and important privileges and supervision promised by Government, prove successful.

4. The Act contemplates two kinds of co-operative societies, *viz.*, *Rural* and *Urban*, governed by the same rules, with such modifications, however, as the nature of each may require. The former is intended for the benefit of the small agriculturists in villages and the latter for people in towns and cities for the promotion and revival of local industries and handicrafts and to facilitate mutual loans. The chief features of the Act are simplicity in the formation and working of the Societies formed thereunder and the elasticity to make them adapted to growing necessities by the discretion vested in the Local Government to change or modify the rules to suit the local circumstances. It is free from the cumbrous and elaborate rules and requirements of the Indian Companies Act and the Mysore Companies Regulation IV of 1895 framed on the same lines.

5. Agricultural banks were established in the Province on the lines sketched in the Dewan's Dasara Speech of 1894 and have been on their trial for ten years. Although they were entirely based on the Co-operative principle enunciated by the Government of India in their Resolution dated 29th April 1904, they are found not to work quite in harmony with the objects and to the interest of the persons for whom they were intended. The reason is not far to seek. These banks were established on the provisions contained in the Companies Regulation and consisted of members holding landed property with the area comprised in the memorandum and articles of association. This ignored individual credits and excluded the poorer raiyats tilling and raising crop with borrowed capital, from the benefits of such banks and left them to the mercy of the favoured one who was a member of the bank. The funds of the bank were proposed to be raised by deposits from members and deposits and loans from others in addition to the liberal Government loan granted at the inception but as a matter of fact these banks continued to work almost entirely with the funds placed at their disposal by Government. This necessarily obscured the Co-operative principle, and the observations of the Government of India, that no Society wholly or mainly financed by Government can ever attain the Co-operative objects in view are pertinent as the result of the experiment made in the Province has abundantly shown. Thrift and self-help could be induced only when the capital flows from the members of the society, and Government while affording all facilities for the working of the same, augment the funds only to the extent required to the initial starting of the undertaking.

6. The Act in question contains wholesome provisions to secure mutual co-operation among the people for whose benefit it is intended. I can safely say that its introduction in the Province with the necessary changes to suit local conditions, will prove a blessing to the poorer raiyats and men of small means whom are now in the clutches of the exorbitant money-lenders.

Introduction of Regulation on the lines of the Co-operative Credit Societies Act X of 1904.

Letter No. 560, dated 20th-22nd April 1905, from the Officiating Deputy Commissioner, Chitaldrug District, to the Secretary to Government, General and Revenue Department.

Serial No. 9.

With reference to his docket No. J. 1553-1560—Legis. 18-2, dated the 15th December last, forwarding a copy of the Co-operative Societies Act, X of 1904, and calling for my opinion in regard to the framing of a Local Law on the lines of this Act, I have the honor to state that the provisions in the Act are quite suited to an agricultural country like ours and may therefore be adopted in their entirety.

2. It is a well known fact that the small agriculturists whose capital is locked up in lands and live stock cannot get on without being financed by others for their agricultural operations, and it is also within the experience of every person who has had occasion to come into contact with them, that there is necessity of liberating them from the clutches of money-lenders who ruin them by demanding usurious rates of interest for the sums borrowed from them. It is therefore obvious that an Act which has been introduced into British India after mature consideration to give relief to them cannot but suit our country where the rural classes are labouring under the same difficulties and are confronted with similar impediments.

3. Judging from the past experience gained in regard to the Agricultural Banks established in our midst, I beg respectfully to point out that the Act would not serve any useful purpose and would be a dead letter unless the rules to be framed thereunder are so practical as to inspire confidence in the minds of the ignorant and uneducated raiyats for whose benefie this Act is intended.

4. I would touch only upon one important provision to be made in the rules. It is to the effect that the Civil Courts should have no jurisdiction over these Co-operative Societies. These Civil Courts are a cumbersome machinery to deal with, and every defaulting member takes advantage of the proverbial delay attendant upon law-suits filed in the Civil Courts, and the managing committee find it difficult to get immediate remedy and therefore become indifferent and apathetic in course of time in the matter of collections.

5. The remedy, therefore, seems to lie in framing a set of simpler rules for the recovery of dues and entrusting their execution to the Revenue authorities.

Letter No. 670, dated the 9th June 1905, from the Officiating Deputy Commissioner, Kadur District, to the Secretary to Government, General and Revenue Department.

Serial No. 10

With reference to your No. J. 1553-60—Legis. 18-2, dated 15th December 1904, calling for my opinion regarding the framing of a local law on the lines of the Co-operative Credit Societies Act, No. X of 1904, I have the honor to state as follows:—

2. As stated in the Act and the explanatory resolution accompanying it, the object is to afford to the small agriculturists the means of obtaining money necessary for their operations at a reasonable rate of interest and to promote thrift, self help and co-operation among the agriculturists, artisans and persons of limited means. The Act is intended to encourage the formation of societies and assist their operation by taking them out of the operation of the general law on the subject and conferring upon them special privileges and facilities.

3. One of the main causes for the failure of the Agricultural Banks which were started for a similar purpose, seems to be that they were financed almost entirely by the State. There was, no doubt, the joint and several liability of the members for the whole of the money borrowed from the State; but this liability was not sufficiently strong to promote the co-operative principle. The money lent by the States was distributed among the members and taken by them according to their wants, and their debts satisfied. For some time, they were free, with the small sums that were being repaid towards the debts borrowed, some business was being done, but even that came to a stand-still when the loan granted by Government came to be repaid. In the case of some Banks, the annual instalments have remained unpaid. A resort to coerceive measures would appear cruel on the part of a paternal Government. It cannot act like an ordinary creditor. From this complication, it has to free itself as best it can.

4. This mistake is avoided in the case of the societies proposed to be formed. The capital is to be raised by means of shares, debentures or otherwise, in such manner as may be regulated by rules framed in this behalf. The financial aid intended to stimulate the societies of the State is to be strictly limited and it is to be regulated by the amount contributed by the members to the working capital of the society.

5. Thus the members are compelled to exert themselves at the outset and there is a hope of their taking some real interest in the societies in consequence of the contributions made by them towards the capital. It is to be guarded that the restrictions might not be evaded.

6. Sections 9 and 10 of the Regulation lay down restrictions on borrowing and on loans. Power is given under Section 27 to make rules prescribing the *payments* to be made and the *conditions* to be complied with by members applying for loans, the periods for which loans may be made and the *amount* which may be lent to an individual member. If the business transaction is one of the *small loans*, for *short periods*, with *prompt recoveries*, the societies may hope to work with success.

7 As the Government of India in their Resolution say the whole matter is one in which we have to feel our way and to purchase our experience. The experiment is well worth being tried in a few carefully selected places.

Order No. J. 3766, dated 30th June 1905.

Ordered that the Regulation to provide for the constitution and control of Co-operative Societies in Mysore, which received the assent of His Highness the Maharaja on the 28th day of June 1905, be promulgated. Serial No. 11

[ENCLOSURE TO THE ABOVE]

REGULATION No. III OF 1905.

THE MYSORE CO-OPERATIVE SOCIETIES REGULATION, 1905.

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REGULATION No. III OF 1905.

The Mysore Co-operative Societies Regulation, 1905.

(PASSED ON THE 28TH JUNE 1905.)

A Regulation to provide for the constitution and control of Co-operative Societies in Mysore.

WHEREAS it is expedient to provide for the constitution and control of Co-operative Societies in Mysore : His Highness the Maharaja is pleased to enact as follows :—

Preliminary.

Short title, extent and commencement.

1. (*1*) This Regulation may be called the Mysore Co-operative Societies Regulation, 1905 ;

(*2*) It extends to the whole of Mysore ; and (*3*) It shall come into force on the date of the passing thereof.

Definitions.

2. In this Regulation, unless there is anything repugnant in the subject or context,—

(*a*) "by-law" means a rule made by a society in the exercise of any power conferred by this Regulation, or by any rule made under this Regulation :

(*b*) "committee" means the governing body of a society to whom the management of its affairs is entrusted :

(*c*) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules made under this Regulation.

(*d*) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules applying to any society or the by-laws thereof to give directions in regard to the business of the society :

(*e*) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Regulation : and

(*f*) "society" means a co-operative society registered under this Regulation.

Constitution.

Constitution and objects of societies.

3. A society shall consist of ten or more persons above the age of eighteen years, who have for ther common object or objects some one or more of the following, namely :—

i the furtherance of thrift and providence among the members ;

ii the attraction of capital and the grant of credit to the members ;

iii the supply to members of raw material, seed or manure ;

iv the sale on behalf of members of agricultural produce or of manufactured goods ;

v the manufacture of goods or growth of produce by the members co-operatively

vi the purchase of food stuffs, clothing or other articles of consumption, or of animals, implements or other stock required in agriculture or industry, and their retail sale to members;

vii the purchase of machinery and its use in common by members;

viii the building of houses or purchase of lands for members

ix the carrying out or development, by joint action, of an improvement whether agricultural or industrial;

x any other object, calculated to promote the common economic benefit of the members, which may be approved by Government by special order in each case.

Members of society.

4. The members of a society shall be—

(*a*) persons joining in the application mentioned in section 6, sub-section (*1*), and registered as a society under sub-section (2) of the same section;

(*b*) persons admitted by the society in accordance with the provisions of this Regulation and with the by-laws of the society

Provided that a person so admitted shall not exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society as may be prescribed by the rules made under this Regulation or the by-laws of the society

Registration.

The Registrar.

5. The Government may appoint a person to be Registrar of Co-operative Societies for the whole or any portion of Mysore

Registration and incorporation of societies.

6. (*1*) Any ten or more persons having for their common object or objects some one or more of those specified in section 3 and agreeing each to make such payment or acquire such interest as aforesaid, may apply to the Registrar to be registered as a society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the proposed society as the Registrar may require.

(*2*) If the Registrar is satisfied that the persons proposing to form a society have complied with the provisions of this Regulation and with the rules made thereunder, he may, if he thinks fit, register the society accordingly, and the society shall thereupon become and be a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, moveable or immoveable, to enter into contracts, to institute and defend civil suits and to do all things necessary for the purposes of its constitution.

(*3*) Every society shall have an address, registered in accordance with the rules made under this Regulation, to which all notices and communications may be sent.

(*4*) If the liability of the members of a society is limited, the word "limited" shall be added to its registered name.

(*5*) No charge shall be made for registration under this section

Management.

Liability of members.

7. The liability of each member of a society for the debts of the society shall be unlimited or limited as may be provided by the by-laws or by any rules made under this Regulation.

Disposal of profits.

8. Not less than one-fourth of the profits in each year of every society, unless otherwise directed by Government by special order in any particular case, shall be carried to a fund (to be called the reserve fund) before any dividend or payment on account of profits is paid to the members or any of them

Restrictions on borrowing.

9. A society may receive deposits from members without restriction, but it may borrow from persons who are not members only to such extent and under such conditions as may be provided by its by-laws or by rules made under this Regulation.

Restrictions on loans.

10. (*1*) A society shall make no loan to any person other than a member.

Provided that, with the consent of the Registrar, a society may make loans to any other society.

(2) The Government may by general or special order, prohibit or restrict the lending of money on the security of moveable or of immoveable property or any kind thereof by any society or class of societies.

Desposit of society's funds.

11. A society may deposit its funds in the Government Savings Bank or with any banker or person acting as a banker approved for this purpose by the Registrar.

Shares and Interests of Members.

Limit on capital held by member.

12. Where the liability of the members of a society is limited by shares, a member shall not hold more than such portion of the capital of the society subject to a maximum of one-fifth, as may be prescribed by any rules made under this Regulation.

Provided that no member of such a society shall without express sanction of the Government hold more shares than represent a nominal value of one thousand rupees.

Votes of members.

13. *(1)* Where the liability of the members of a society is not limited by shares, each member shall, notwithstanding the amount of his interest in the capital, only have one vote as a member in the affairs of the society.

(2) Where the liability of the members of a society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws of the society.

Restrictions on transfer of share or interest.

14. *(1)* A member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless he has held such share or interest for one year at least.

(2) The share or interest of a member in the capital of a society shall not be transferred or charged, unless to the society or to a member of the society and subject to any conditions as to maximum holding prescribed by this Regulation or by the by-laws or by any rules made under this Regulation.

Shares or interest not liable to attachment.

15. Subject to the provisions of section 20. the share or interest of a member in the capital of a society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee nor a Receiver appointed under Chapter XX of the Code of Civil Procedure shall be entitled to or have any claim on such share or interest.

Transfer of interest on death of member.

16. On the death of a member, the society may pay to or transfer to the credit of the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, such person as may appear to the Committee to be entitled to receive the same as heir or legal representative of the deceased member a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws and all moneys due to him from the society, and the society shall thereupon be absolved from all liability in respect of such share or interest or other moneys as aforesaid.

Liability of past member.

17. The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member shall continue for a period of one year from the date of his ceasing to be a member.

Liability of the estate of deceased member.

18. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society as they existed at the time of his decease.

Priority of Society's claim against a member.

Prior claim of society as against crops, agricultural produce, cattle, implements and raw material.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a society shall be entitled in priority to other creditors to enforce its claim—

(a) upon the crops or other agricultural produce of a member or past member at any time within a year from the date when seed or manure was advanced or money for the purchase of seed or manure was lend to such member or past member, in respect of the unpaid portion of such advance or loan :

(b) upon any cattle, agricultural or industrial implements or raw material for manufactures, supplied by the society or purchased in whole or in part with money lent by the society, in respect of the outstanding liability on account of such supply or loan.

20. A society shall have a charge upon the shares or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set-off any sum credited or payable to a member or past member in or towards payment of any such debt.

Charge and set-off in respect of shares or interest of member

Audit, Inspection and Inquiry.

21. *(1)* The Registrar shall audit the accounts of each society once at least in every year.

Audit, inspection and inquiry.

(2) No charge shall be made in respect of any audit made under sub-section *(1)*

(3) The audit under sub-section *(1)* shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(4) The Registrar, the Deputy Commissioner or any person authorised in this behalf by the Registrar or the Deputy Commissioner may at any time inspect the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection shall require.

(5) The Registrar may of his own motion, and shall on the request of the Deputy Commissioner, or on the application of a majority of the Committee or of not less than one-third of the members, hold an inquiry into the constitution, working and financial condition of a society, and all officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar may require

(6) Where an inquiry is held under sub-section *(5)*, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members demanding an inquiry and the officers or former officers of the society

(7) Any sum awarded by way of costs under sub-section *(6)* may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable resides for the time being, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

22. A copy of any entry in a book of a society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by rules made under this Regulation, be received, in any suit to recover a debt due to the society, as *prima facie* evidence of the existence of such entry and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is now by law admissible, but not further or otherwise.

Mode of proof of entries in societies' books

Dissolution of a Society.

23. *(1)* If the Registrar, after holding an inquiry under section 21, sub-section *(5)*, or on receipt of an application made by three-fourths of the members of a society, is of opinion that a society ought to be dissolved he may cancel or may refuse to cancel the registration of the society.

Dissolution.

(2) Any member of a society may, within two months from the date of an order made under sub-section *(1)*, appeal from such order to the Government.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period. Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the Government.

(4) Where an order made under sub-section *(1)* cancelling the registration of a society takes effect, the society shall cease to exist as a corporate body.

24. *(1)* Where the registration of a society is cancelled under section 23, the Registrar may appoint a competent person to be liquidator of the society.

Cancellation of registration of society.

(2) A liquidator appointed under sub-section *(1)* shall have power to institute and defend suits on behalf of the society by his name of office, and shall also have power

(*a*) to sue for and recover any sums of money due to the society at the date of such cancellation

(*b*) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society ;

(*c*) to investigate all claims against the society, and, subject to the provisions of this Regulation, to decide questions of priority arising between claimants ;

(*d*) to determine by what persons and in what proportions the costs of the liquidation are to be borne ; and

(*e*) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules of procedure made under this Regulation, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure.

(4) The rules may provide for an appeal to the Court of the District Judge from any order made by a liquidator under this section.

(5) Orders made under this section may be enforced as follows :—

(*a*) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as the decree of such Court ;

(*b*) when made by the Court of the District Judge in the matter of any such appeal as aforesaid, in the same manner as a decree of such Court made in any suit pending therein.

(6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect to any matter connected with the dissolution of a society under this Regulation.

Exemptions from Taxation.

Power to exempt from taxation, stamp-duty and registration-fees.

25. *(1)* The Government, by notification in the official Gazette, may in the case of any society or class of society, remit—

(*a*) any tax payable to Government or to a Municipal or Local Board in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits, or otherwise ;

(b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to the business of such society, or any class of such instruments, are respectively chargeable ;

(c) any fee payable under the law of registration for the time being in force.

(2) A notification exempting any society from the fees referred to in sub-section *(1)* clause *(c)*, may provide for the withdrawal of such exemption.

Debts due to Government.

Recovery of sums due to Government.

26. *(1)* All sums due from a society or from an officer or member or past member of a society as such to the Government, including any costs awarded to the Government, under section 21, sub-section *(6)*, may be recovered in the same manner as arrears of land-revenue.

(2) Sums due from a society to Government and recoverable under sub-section *(1)* may be recovered, firstly, from the property of the society ; secondly, in the case of a society of which the liabiliy of the members is limited, from the members subject to the limit of their liability ; and thirdly, in the case of other societies, from the members.

Rules.

Rules.

27. *(1)* The Government may, for the whole or any part of Mysore and for any society or class of societies, make rules to carry out the purposes of this Regulation.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(a) prescribe the forms to be used in applying for the registration of a society and the procedure in the matter of such applications ;

(b) prescribe the conditions to be complied with by persons applying for registration and by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time, and the amount of payment to be made and interests to be acquired before exercising rights of membership ;

(c) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled and for the liabilities of past members.

(d) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ·

(e) subject to the provisions of section 12, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member :

(f) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent to an individual member ;

(g) regulate the manner in which capital may be raised by means of shares or debentures or otherwise ;

(h) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings

(i) provide for the appointment, suspension and removal of the members of the committee and other officers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers

(j) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating by-laws, and the sanction to be required to such making, alteration or abrogation ;

(k) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance-sheet showing the assets and liabilities of a society

(l) provide for the persons by whom and the form in which copies of entries in books of societies may be certified ;

(m) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares of a register of shares ;

(n) provide for the rate at which interest may be paid on deposits, for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society ;

(o) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision, or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators ;

(p) prescribe the conditions to be complied with by a society applying for the financial assistance of Government ; and

(q) determine in what cases an appeal shall lie from the orders of the Registrar, and prescribe the procedure to be followed in presenting and disposing of such appeals.

(3) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(4) All rules made under this section shall be published in the official Gazette and on such publication shall have effect as if enacted in this Regulation.

(5) A copy of the rules relating to a society and of the by-laws thereof for the time being in force shall be kept open to inspection at all reasonable times free of charge at the registered address of the society.

Miscellaneous.

Mysore Companies Regulation, 1895, not to apply.

28. The provisions of the Mysore Companies Regulation, 1895, shall not apply to societies registered under this Regulation.